

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1214-03  
Bill No.: Perfected HCS for HJR 23  
Subject: Appropriation, Constitutional Amendments, General Assembly  
Type: Original  
Date: March 10, 2009

---

Bill Summary: This proposes a constitutional amendment prohibiting appropriation in any fiscal year from exceeding certain limits.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	\$0	(\$64,448,584)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$64,448,584)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Budget Reserve Fund	\$0	\$0	\$64,448,584
Cash Operating Reserve Fund	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$64,448,584</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration's Budget and Planning (BAP)** assume this proposal will have an impact on state government operations as a result of the caps it would impose on general revenue appropriations and net general revenue collections. For analysis purposes, BAP assumed the legislation was in effect for the FY 2010 budget process. The Cash Operating Reserve Fund (CORF) will have \$365.2 million transferred into it due to the initial split of the Budget Reserve Fund into two funds. The balance required to be in the CORF in FY 2010 is \$358.6 million. The excess amount of \$6.6 million will need to be transferred from CORF to the Taxpayer Protection Stabilization Fund per Section 27(a), subsection 8. This amount would remain in the newly created fund until a sufficient amount exists to reach a reduction of at least one quarter of one percent of all state individual income tax rates.

In addition, it results in a \$322 million negative impact to the general revenue fund because of the change in the percentage requirements for the reserve funds (explained in the table below). Separating the budget reserve fund into two funds may create cash flow problems for the state.

Budget Reserve Fund = BRF

Cash Operating Reserve Fund = CORF

\$545,021,462              Current BRF balance as of 7/15/08 (7.5% of GR)

\$365,164,380              67% Amount to be placed in the CORF per HJR23

\$179,857,082              33% Amount to be placed in the BRF per HJR 23

\$545,021,462              Total to be placed in the CORF and BRF per HJR 23

CORF	BRF	TOTAL	
\$358,600,000	\$502,100,000	\$860,700,000	Net GR Collections % required for FY 10 (5% CORF and 7% BRF)
\$365,164,380	\$179,857,082	\$545,021,462	BRF balance to be split between the two funds.
\$0	\$322,242,918	\$322,242,918	General revenue required to be transferred to the funds.

\$64,448,584              Amount required to be transferred in year 1.

\$64,448,584              Amount required each year to be transferred in years 2-5.

JH:LR:OD

ASSUMPTION (continued)

\$6,564,380 excess amount in the CORF to be transferred to the Taxpayer Protection Stabilization Fund, which is established in Section 27(d)2.

To fulfill the resolution's requirements of the Commissioner of Administration, BAP will need one additional FTE to track the excess funds outlined in the legislation and research, analyze and calculate any reductions in state income tax rates. An OA Economist position (range 32), fringes, and associated E&E are estimated to cost \$83,779.

**Oversight** assumes that since BAP is charged with doing revenue calculations yearly because of the requirements of the Hancock amendment that they already have staff who can do the calculations required under this proposal. Should it become necessary to hire staff to carry out the duties of this proposal BAP could request funding through the appropriation process

**Oversight** assumes that since this is a constitutional amendment it will have no effect on state funds unless it is passed. Oversight assumes that the requirements of this legislation will result in money being transferred from General Revenue into the Budget Reserve Fund and the Cash Operating Reserve Fund and will net to zero.

**Oversight** assumes that if this constitutional amendment is adopted in the November 2010 then due to the wording of this proposal it would go into effect on July 1, 2011 which is fiscal year 2012.

Officials at the **Department of Social Services** assume no cost to the Department as a result of placing this measure on the ballot. The ultimate affect, if any on the Department's budget cannot be determined because it depends on future economic factors and the legislative appropriations process.

Officials at the **Missouri Veterans Commission** assume if general revenue appropriations are reduced due to the proposal, then veterans' programs would be negatively impacted.

Officials at the **Office of the Attorney General, Department of Elementary and Secondary Education, State Tax Commission, Department of Mental Health, Missouri Highway Patrol, Department of Labor and Industrial Relations, Department of Corrections, Department of Agriculture, State Emergency Management Agency and the Department of Natural Resources** assume this proposal would effect their respective departments however, they are unable to estimate the extent at this time.

ASSUMPTION (continued)

Officials at the **Department of Economic Development** assume the Tax Increment Financing Program, Missouri Downtown Economic Stimulus Act and Downtown Revitalization Preservation Program provide tax incentives for business and development in Missouri, which create additional state revenue. If General Revenue appropriations were limited, it would result in a loss of revenue because there would not be additional funding to provide incentives for new business growth.

Officials at the **Missouri Department of Transportation (MoDOT)** assume this would have an unknown impact on their multimodal program, the only group within MoDOT to get general revenue funds.

Officials at the **Missouri Department of Conservation** assume no impact as the Conservation Commission Fund is separate from the state's general revenue fund.

Officials at the **Office of the Secretary of State (SOS)** assume many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009 in the November election there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

**Oversight** assumes the SOS could absorb the costs of advertising the statewide ballot measure related to this proposal within their current appropriation level. If multiple bills pass or if multiple ballot initiatives are validated which require similar advertising at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials at the **Capitol Police, Office of Prosecution Services, Fire Safety, Office of the State Public Defender, Missouri Gaming Commission, Office of the State Courts Administrator, Department of Higher Education, Department of Revenue, Administrative Hearing Commission, Office of the State Treasurer, Department of Insurance, Financial Institutions and Professional Registration** and the **Missouri Senate** assume that there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE</b>			
<u>Transfer Out</u> - General Revenue			
Transfer to Budget Reserve Fund and the Cash Operating Reserve Fund	<u>\$0</u>	<u>\$0</u>	<u>(\$64,448,584)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$64,448,584)</u></u>
<b>BUDGET RESERVE FUND</b>			
<u>Transfer In</u> - Budget Reserve Fund			
Transfer in from General Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$64,448,584</u>
<b>ESTIMATED NET EFFECT ON BUDGET RESERVE FUND</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$64,448,584</u></u>
<b>CASH OPERATING RESERVE FUND</b>			
<u>Transfer In</u> - Cash Operating Reserve			
Transfer in from General Revenue	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON CASH OPERATING RESERVE FUND</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment prohibits appropriations in any fiscal year from exceeding the total state general revenue appropriations from the previous year by more than the appropriations growth limit. The appropriations growth limit will be the greater of zero or the sum of the annual rate of inflation and the annual Missouri population growth.

For any fiscal year in which the net general revenue collections are in excess of 1% of the authorized net general revenue appropriations allowed, 67% of the excess is to be transferred to the Cash Operating Reserve Fund and 33% to the Budget Reserve Fund, which are created by the bill. Any revenue in excess of the specified limits of the funds will be used to permanently reduce the income tax rate rounded to the nearest .25%.

Total state general revenue appropriations may exceed the appropriations limit only if the Governor declares an emergency and the General Assembly approves appropriation bills to meet the emergency. The funds appropriated to meet the emergency will not increase the appropriation limit for the succeeding fiscal year.

New or increased tax revenues or fees receiving voter approval will be exempt from the calculation of the appropriations growth limit for the year in which they are passed.

One-half of the balance in the Budget Reserve Fund on July 1 of each year is to be transferred to the Cash Operating Reserve Fund. If the balance in the Cash Operating Reserve Fund exceeds 5% of the net general revenue collected in the previous fiscal year, the excess amount will be transferred to the General Revenue Fund.

In any fiscal year in which the Governor reduces expenditures below amounts appropriated, the Governor may request an emergency appropriation from the Budget Reserve Fund. If the request is approved by the General Assembly, funds may be restored to any expenditure authorized by existing appropriations. If the balance in the Budget Reserve Fund at the end of a

fiscal year exceeds 7% of the net general revenue collections for the previous fiscal year, the excess funds

FISCAL DESCRIPTION (continued)

will be transferred to the General Revenue Fund. If the balance is less than 7%, the difference will be transferred from the General Revenue Fund within five years.

Funds appropriated from the Budget Reserve Fund must be paid back within five years of the original transfer date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Prosecution Services  
Department of Public Safety  
    Capitol Police  
    Fire Safety  
    State Emergency Management Agency  
Office of the State Public Defender  
State Tax Commission  
Missouri Gaming Commission  
Office of the State Courts Administrator  
Department of Higher Education  
Administrative Hearing Commission  
Department of Revenue  
Office of the State Treasurer  
Department of Elementary and Secondary Education  
Missouri Department of Conservation  
Office of the Attorney General  
Department of Natural Resources  
Missouri Senate  
Missouri Department of Transportation  
Department of Social Services  
Department of Insurance, Financial Institutions and Professional Registration  
Missouri Veterans Commission  
Department of Mental Health  
Missouri Highway Patrol

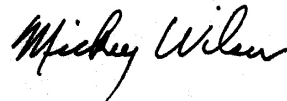


L.R. No. 1214-03  
Bill No. Perfected HCS for HJR 23  
Page 9 of 9  
March 10, 2009

Department of Labor and Industrial Relations  
Department of Economic Development

SOURCES OF INFORMATION (continued)

Budget and Planning  
Department of Corrections  
Department of Agriculture

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 10, 2009